

紐約州歲入共識預測會議評估

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摘 要

自 1996 年開始，美國紐約州由州長及參眾兩院多數及少數黨領導人主導的「經濟及歲入共識預測會議」必須每年召開。於這個研究中，採行實地調查，研究者扮演觀察者的角色，觀察 1998 年「紐約州經濟及歲入合議預測會議」的過程；此外，亦採行面訪，訪問五位具代表性的預測專家，他們來自於紐約州預算局、眾院多數、少數黨預算委員會（Assembly Ways and Means Committee），及參院多數及少數黨財務委員會（Senate Finance Committee），以了解不同的機關如何協商或縮小預測的差距，目的是為達成協議及提供讓平衡預算通過的有效基礎。研究結果指出於會議中並無達成歲入預測的共識；預測專家多專注於做出精確的預測，而讓他們的主管去協商共識的達成；紐約州延遲的預測多因無及時共識而造成。

關鍵詞：歲入預測、合議預測、紐約州歲入預測、歲入合議預測

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Evaluation of New York State Revenue Consensus Forecasting Meeting

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Abstract

Since 1996, an economic and revenue consensus forecasting meeting, directed by the Governor and the Majority and Minority leaders of the Senate and Assembly, is required each year in New York State. In this study, a field research was conducted and the researcher played the role of a complete observer to observe the process of 1998 New York State Revenue and Economic Consensus Forecasting Conference. Moreover, personal interviews were conducted with five people in the NYS Division of the Budget, the Assembly Ways and Means Committee Majority and Minority, and the Senate Finance Committee to see how different agencies compromise or narrow down the forecasting differences in order to achieve agreements and develop a useful basis for enactment of a balanced budget. Research results indicated that no consensus was achieved in the revenue consensus forecasting meeting; revenue forecasters merely focus on making correct revenue forecasts, but let their supervisors negotiate the consensus; New York State's late budget was substantially due to no timely consensus.

Key Words : Revenue Forecasting, Consensus Forecasting, New York State Revenue Forecasting, Revenue Consensus Forecasting

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Introduction

Consensus forecasting is becoming more and more widely used in revenue forecasting. The growing interest comes from the belief that consensus forecasts are more accurate than most (sometimes virtually all) of the individual forecasts that constitute the consensus (Ashton and Ashton, 1985; O'Brien, 1988; McNees, 1992). In this paper, consensus forecast is defined as a forecast agreement achieved by a group of members, which is different from combination forecast, referring to combination of different forecasts by averaging or some other ways without group agreement or consensus involved.

According to McNees (1992, P708), "The consensus forecast, or any combination forecast, is inherently a synthetic construct. It cannot exist apart from the individual forecast of which it is composed. A combination forecast does not reflect any model, method, or guru. It is quite possible that a combination forecast is no one's preferred single forecast." Clemen (1989) reviewed forecast-combining literature and concluded that combining individual forecasts can increase accuracy and acceptance. Both forecasters and forecast users can benefit from asking how and why an individual forecast differs from the consensus view. It should be noted that McNees and Clemen did not distinguish consensus forecasts from combined forecasts.

Revenue consensus forecasting refers to an institutional arrangement for arriving at forecast numbers that are accepted and used by both the legislative and executive branches of state government (Hutchison, 1987, p98). Based on Hutchison's finding (1987), revenue consensus forecasting has been employed by 18 states. For revenue forecasts generated by consensus forecasting process, there are two types shown below.

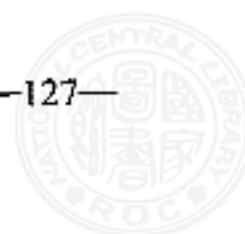
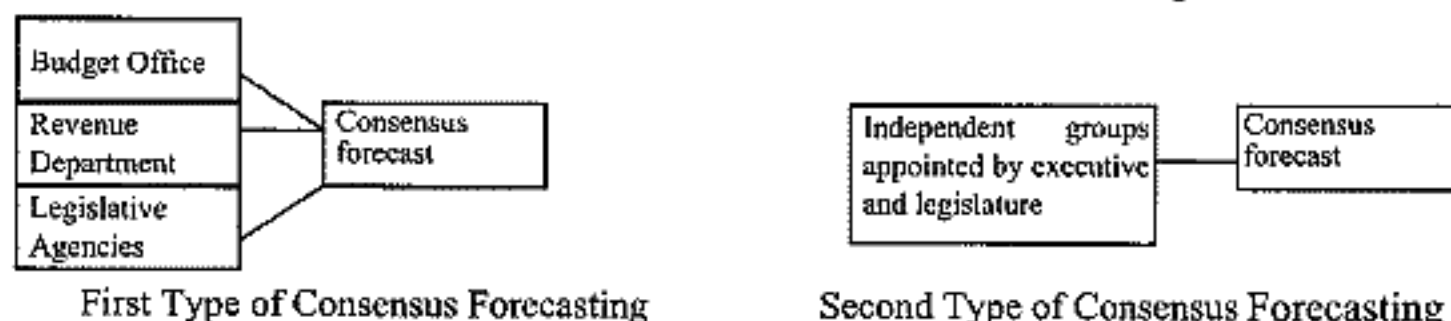


Figure 2.1. Types of Consensus Forecasting



The first type includes professionals from different agencies (i.e., Budget Office, Revenue Department, or Legislative Agencies). Each agency brings its own forecasts and assumptions, and then discusses its differences in order to achieve an agreement on a single forecast for the state. Ten states use this procedure¹. For the second type, independent groups jointly appointed by the executive and legislature make forecasts by using the resources of several agencies. Eight states² are classified into this type.

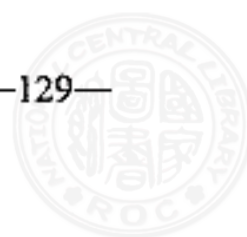
The literature indicated that forecast accuracy improves when expert judgments are obtained independently and averaged. As stated by Bretschneider and Gorr, "the separation of power design of US governments is a major force for accurate and realistic forecasts. (1987:132)." They found that the existence of an alternative forecast improved forecast accuracy and that a formal consensus process improved accuracy even more. This is consistent with Armstrong's findings that combined forecasts were more likely to be accurate than forecasts which were not combined. (Armstrong, 1985:317). Armstrong (1985) concluded that when expert opinions are obtained independently and

¹ They are Alabama, Arizona, Iowa, Kansas, Michigan, Mississippi, New Mexico, Rhode Island, Utah, and Wyoming.

² In FTA's report, "Only the council/boards in South Carolina and Washington have their own staff. The Florida consensus group relies on Joint Legislative Management and the Governor's Office; Hawaii's council relies on the Department of Taxation; the Indiana Technical Committee relies on the Budget Agency and the Department of Revenue; the Louisiana Conference turns to the Office of Planning and Budget and the Legislative Fiscal Office; Maryland uses the Bureau of Revenue Estimates in the Comptroller's Office; and Nebraska's Forecasting Board use the Legislative Fiscal Analyst and the Department of Revenue (p3-5)."

averaged, forecast accuracy improves. However, over depending on consensus forecast and ignoring independence of individual forecasts may diminish the accuracy of forecasts. Hence, one way to improving the accuracy of revenue forecasts is that both executive and legislative agencies should make their revenue forecasts independently, and then bring their own forecasts to consensus meetings.

New York State's recent experience is consistent with what indicated above: the Division of the Budget, the Assembly Ways and Means Committee Majority and Minority, and Senate Finance Committee (executive and legislative agencies) make their own revenue forecasts and then bring them to the consensus conference. Since 1996, an economic and revenue consensus forecasting meeting is required each year in New York State. Following the conclusion to the April 1996 consensus forecasting process directed by the Governor, and the Majority and Minority leaders of the Senate and the Assembly, Chapter 309 of the Laws of 1996 was enacted, requiring an annual consensus forecasting process to be completed by March 10 of each year. The process is to include an annual conference and a report prepared by the Secretary of the Senate Finance Committee and the Secretary of the Assembly Ways and Means Committee and the Budget Director (*Economic and Revenue Consensus Report 1997-98*). So far there were five consensus meetings taken place (1996--2000). The purpose of this study is to evaluate New York State's revenue consensus forecasting meetings. A field research was conducted by observing 1998 New York State Economic and Revenue Consensus Forecasting Conference, and personal interviews were conducted with several revenue forecasters in the executive and legislative agencies, which will be described in the next section. In the third and forth sections, I will describe the actual meeting process of 1998 New York State Economic and Revenue Consensus Forecasting Conference, and try to understand how different agencies compromise or narrow down the differences among their forecasts as well as how they achieve agreements. Finally, the paper will conclude with the discussion and evaluation of the consensus meetings based on the literature



findings obtained from the review on judgmental research.

Method

In this study, a field research was conducted and the researcher played the role of a non-participant observer to observe the process of 1998 New York State Economic and Revenue Consensus Forecasting Conference. A field study is valuable here because mutual communication, attitudes and behavior between revenue forecasters of different agencies can be observed in the meeting. In addition to observing the meeting, I also obtained the transcripts of this meeting so that I can describe the meeting clearly without missing any important points.

Moreover, personal interviews were conducted with five revenue forecasters: two from the New York State Division of the Budget, one from the Assembly Ways and Means Committee Majority, one from the Assembly Ways and Means Committee Minority, and one from the Senate Finance Committee. The purpose of these interviews is to understand how different agencies compromise or narrow down the forecasting differences in order to achieve agreements and develop a useful basis for enactment of a balanced budget. The primary questions I asked include: 1) Please describe the revenue consensus forecasting meeting. 2) How was the consensus was achieved? 3) Do you think the meeting was effective or not? Why?

Besides, I talked with one of the editors of the *Legislative Gazette* so that I could obtain more information about the consensus meetings. This interviewee also provided me with some copies of *Legislative Gazette* which are somehow related to the development of consensus and politics behind the consensus. The next section will include the description of actual meeting process of 1998 Consensus Forecasting Conference and observation notes, followed by interview results.

Meeting Process and Observation Notes

1998 New York State Economic and Revenue Consensus Forecasting Conference was held on March 4, 1998 at New York State Capitol Building in Albany. The conference lasted about 3 hours (from 11:10am to 2:00pm). The agenda is shown in Table1:

Table 1. The Agenda of 1998 New York State Economic and Revenue Consensus Forecasting Conference

11:00 - 11:15	Opening Remarks
11:15 - 11:30	Presentation of Staff Forecasts Division of the Budget Senate Finance Committee Assembly Ways and Means Committee-Majority Assembly Ways and Means Committee-Minority
11:30 - 12:30	The WEFA Group DRI/McGraw-Hill The First Albany Corporation Ridgewood Economic Associates, Ltd.
12:30 - 1:15	Federal Reserve Bank of New York Office of the State Deputy Comptroller
1:15 - 2:00	Closing Remarks

The conference began with opening remarks made by the leaders of Senate Majority, Senate Minority, Assembly Majority, and Assembly Minority. Then staff forecasts were presented by the Division of the Budget, the Senate Finance Committee, the Assembly Ways and Means Committee Majority and Minority. Moreover, experts from public and private sectors, including the WEFA Group, DRI/McGraw-Hill, the First Albany Corporation, Ridgewood Economic Associates, Ltd., Federal Reserve Bank



of New York, and Office of the State Deputy Comptroller, presented their forecasts during 11:30pm--1:15pm. Finally, the conference ended with discussion among participants.

In general, all presenters began with their forecasts of national economy, and then New York State economy, followed by their revenue forecasts. With regard to national economy, they explained their forecasts about some important economic indices such as the inflation rate, the unemployment rate, the gross domestic product (GDP) growth rate, business investment, and external impacts from Asian crisis. For New York State economy, they included the important variables, such as the wage growth rate, the employment rate, manufacturing gains, the bonus gains from financial markets, and capital gains realization. Because economic forecasts are not the focus of this dissertation, their differences among these agencies will not be discussed. The ongoing description will center on revenue forecasts, especially those made by the Division of the Budget, the Senate Finance Committee, and the Assembly Ways and Means Committee Majority and Minority.

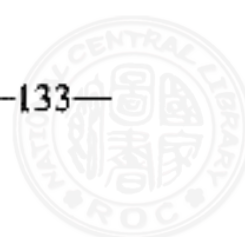
In this conference, only the above four agencies did emphasize revenue forecasts. The other participants paid more attention to economic forecasts than revenue forecasts, and thus the following discussion of revenue forecasts is restricted to the revenue forecasts made by those four agencies. Each year the agencies make revenue forecasts for two fiscal years, and thus this year's revenue forecasts made in February or March, 1998 include the forecasts for fiscal year 1997-98 and 1998-99. The revenue forecasters, to a large extent, indicated that tax revenues for fiscal year 1997-98 and 1998-99 are difficult to forecast because of the changing character and composition of personal income tax. For instance, there is significant growth of bonuses paid from the financial sector, and there are strong capital gains due to high stock prices and low federal tax rate. The differences from Executive 1997-98 and 1998-99 revenue forecasts are summarized in Table 2.

Table 2. Difference from Executive 1997-98 and 1998-99 Revenue Forecasts
(in millions of dollars)

	<u>1997-98</u>			<u>1998-99</u>		
	Senate Majority	Assembly Majority	Assembly Minority	Senate Majority	Assembly Majority	Assembly Minority
Income Tax	33	2	41	176	721	291
User Taxes	18	2	16	11	-75	30
Business Taxes	37	68	19	41	92	37
Other Taxes	42	21	19	48	31	3
Other Revenues	22	32	5	60	50	15
Total	152	125	100	336	819	376

The differences were obtained based on the forecasts the four agencies presented in the consensus meeting. However, one participant indicated that several informal meetings were held before the consensus meeting for different agencies to narrow down the differences. Therefore, the forecasts they presented in the meeting might be a bit different from the ones they originally made, but there was not enough information about the informal meetings.

The difference of each tax item among the four agencies is shown in detail in Table 3 and Table 4. The primary categories of disagreement are business taxes and other taxes (estate and gift tax) for 1997-98 tax revenue, and personal income tax and business taxes for 1998-99 tax revenue. For 1997-98 tax revenue, business taxes were hard to predict because March tax payments made by corporations include final payments of last year's liability and the first payment of the current year's tax liability, which have been volatile and have been represented about 21.4 percent to 25.4 percent of total collections over the past three years. Stocks and bonds are the second largest component



of estate tax, and thus the changes in stock prices increase the instability of estate tax liability.

For 1998-99 tax revenue, as mentioned above, the major differences are in personal income tax and business taxes. With regard to income tax, the forecasts for wage growth rate and capital gains are different among the agencies so that withholding taxes (income tax on wages) and estimated payment taxes (income tax on non-wage income) result in large differences. The difference of business taxes comes from different forecast of corporate profit growth rate. It is fair to say that different economic forecasts among the agencies contribute to disagreements on revenue forecasts.

This conference is named "Economic and Revenue Consensus Forecasting Conference," but there is no "consensus" achieved. In this conference, each agency and experts from private and other public sectors only presented their forecasts. There was no activity for compromising the differences. Even in the last section of discussion, participants only asked questions about where they were not clear or where they did not understand instead of asking why they made different forecasts or how to narrow down the difference. It is obvious that the conference did not help get a consensus, but aired out the differences. Some interviews were conducted to understand in depth how agreements among the four agencies are achieved.

Table 3. Comparison of Revenue Forecasts 1997-98
(in millions of dollars)

	1997-98 Revenue Forecasts				Difference from Executive		
	Exec.	SFC	WAM-Majority	WAM-Minority	SFC	WAM-Majority	WAM-Minority
Personal Income Tax	18,547	18,580	18,549	18,588	33	2	41
Withholding	15,204	15,218	15,225	15,234	14	1	30
Estimated payments	4,449	4,452	4,424	4,458	3	(25)	9
Final Returns	946	968	951	948	22	5	2
Delinquencies	440	444	440	440	4	0	0
Refunds	(2,752)	(2,762)	(2,751)	(2,752)	(10)	1	0
Refund Reserve Transaction	260	260	260	260	0	0	0
User Taxes and Fees	7,056	7,074	7,058	7,072	18	2	16
Sales and use tax	5,458	5,461	5,453	5,469	3	(5)	11
Cigarette taxes and fees	667	673	669	668	6	2	1
Motor fuel	165	168	166	166	3	1	1
Motor Vehicle fees	500	501	500	502	1	0	2
Alcoholic beverage	207	212	211	208	5	4	1
Container tax	26	26	26	26	0	0	0
Auto rental	33	33	33	33	0	0	0
Business Taxes	4,983	5,020	5,051	5,002	37	68	19
Corporate franchise	1,978	1,988	1,997	1,985	10	19	7
Utility	1,530	1,537	1,547	1,532	7	17	2
Insurance	689	701	692	695	12	3	6
Banks	675	679	702	679	4	27	4
Petroleum business	111	115	113	111	4	2	0
Other Taxes	1,085	1,127	1,106	1,104	42	21	19
Estate and gift	1,013	1,057	1,034	1,032	44	21	19
Real property gains	30	30	30	30	0	0	0
Pari mutuel	41	39	41	41	(2)	0	0
Other	1	1	1	1	0	0	0
Total Taxes	31,671	31,801	31,764	31,766	130	93	95
Miscellaneous receipts	1,571	1,588	1,587	1,571	17	16	0
Transfer from other funds	2,000	2,000	2,005	2,000	0	5	0
Lottery	1,525	1,539	1,536	1,530	5	11	5
Total General fund receipts	36,767	36,919	36,892	36,867	152	125	100

Notes:

Exec.: Executive revenue forecasts made by the NYS Division of the Budget

SFC: Senate Finance Committee Majority

WAM-Majority: Ways and Means Committee Majority

WAM-Minority: Ways and Means Committee Minority

Table 4. Comparison of Revenue Forecasts 1998-99
(in millions of dollars)

	1998-99 Revenue Forecasts				Difference from Executive		
	Exec.	SFC	WAM-Majority	WAM-Minority	SFC	WAM-Majority	WAM-Minority
Personal Income Tax	19,776	19,952	20,497	20,067	176	721	291
Withholding	16,159	16,236	16,482	16,271	77	323	112
Estimated payments	4,610	4,629	4,915	4,785	19	305	175
Final Returns	1,030	1,041	1,090	1,032	11	60	2
Delinquencies	480	481	482	482	1	2	2
Refunds	(2,745)	(2,677)	(2,714)	(2,745)	68	31	0
Refund Reserve	966	966	966	966	0	0	0
Transaction							
- STAR deposit	(724)	(724)	(724)	(724)	0	0	0
User Taxes and Fees	7,200	7,211	7,125	7,230	11	(75)	30
Sales and use tax	5,702	5,708	5,624	5,723	6	(78)	21
Cigarette taxes and fees	651	662	651	657	11	0	6
Motor fuel	166	171	168	167	5	2	1
Motor Vehicle fees	423	411	423	424	(12)	0	1
Alcoholic beverage	205	206	206	206	1	1	1
Container tax	18	18	18	18	0	0	0
Auto rental	35	35	35	35	0	0	0
Business Taxes	4,964	5,005	5,056	5,001	41	92	37
Corporate franchise	2,012	2,022	2,037	2,032	10	25	20
Utility	1,437	1,446	1,473	1,446	9	36	9
Insurance	714	723	719	716	9	5	2
Banks	704	711	729	710	7	25	6
Petroleum business	97	103	98	97	6	1	0
Other Taxes	1,007	1,055	1,038	1,010	48	31	3
Estate and gift	947	996	978	950	49	31	3
Real property gains	19	19	19	19	0	0	0
Pari mutuel	40	39	40	40	(1)	0	0
Other	1	1	1	1	0	0	0
Total Taxes	32,947	33,223	33,716	33,308	276	769	361
Miscellaneous receipts	1,401	1,421	1,447	1,401	20	46	0
Transfer from other funds	1,826	1,826	1,801	1,826	0	(25)	0
Lottery	1,530	1,570	1,559	1,545	40	29	15
Total General fund receipts	37,704	38,040	38,523	38,080	336	819	376

Notes:

Exec.: Executive revenue forecasts made by the NYS Division of the Budget

SFC: Senate Finance Committee Majority

WAM-Majority: Ways and Means Committee Majority

WAM-Minority: Ways and Means Committee Minority

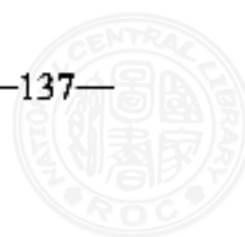
Interview Results

As described above, the three main questions I asked the five interviewees are as follows:

- 1) Please describe the revenue consensus forecasting meeting.
- 2) How was the consensus was achieved?
- 3) Do you think the meeting was effective or not? Why?

Most respondents indicated that the revenue consensus forecasting meeting was just a meeting required by law or fitted for the formality. One respondent stated that, “the revenue consensus meeting is nothing but formal procedures to meet the law requirement--Chapter 309 of the Laws. It is just formality or a legal process.” Another respondent described that the revenue consensus meeting was just a meeting for each agency to “present” its own revenue forecasts. The respondent said that, “Basically the meeting was a ‘presentation’ meeting. We and other revenue forecasting people in each agency as well as outside experts, such as economists from WEFA and DRI, merely presented our own forecasts and no further step was made after that.” Accordingly, it is obvious that the respondents believed that the revenue consensus forecasting meeting was held to meet the law requirement and the meeting is only a “presentation” meeting.

When asking how the consensus was achieved among the agencies, most respondents indicated that there was no consensus achieved in the meeting. One respondent stated that, “We, as revenue forecasting experts, take the responsibility of making correct revenue forecasts, and our supervisors--the Governor or the Legislative leaders--are the people who focus on negotiating and compromising with other parties in order to achieve the consensus.” This can also be understood from the example reported in *Legislative Gazette* (April 20, 1998):



Another issue raised in this year's budget is what kind of deficits it creates for the future. The governor predicted a \$1.8 billion deficit next year, and Comptroller H. Carl McCall said that number might even wider because of \$500 million that fell through from settlements with tobacco companies. The legislative leaders, however, choose to believe that there will not be any deficits next year. Senate Majority Leader Joseph L. Bruno even ventured to predict that there would be another surplus. Frank Mauro, head of the Fiscal Policy Institute, strongly disagreed. He warned of a very high deficit next year, spurred on by aggressive back-loaded tax cuts that increase the structural deficit in the state. He foresees next year's shortfall to be \$3 billion, inflating to \$5.4 billion the year after that. "The problem with tax cuts is that they start small, but increase," Mauro said. "If the governor is thinking about using his line-item veto, it's much more important to veto tax cuts." The governor has 10 days (not counting Sundays and national holidays) to veto from the time the bills arrived on his desk, which makes the deadline Monday, April 27. Some constitutional questions have come up about what can be vetoed based on the way the bills are written, because the state constitution allows the governor to veto only what has been added. The governor could also urge the Legislature to revise whole chapters of the budget without using his veto power. The question remains about whether the Legislature will fight any potential gubernatorial vetoes.

Another respondent indicated that one important reason why New York State always has late budget is because it is quite difficult for different parties to get agreements. The last timely budget was in 1984. Each party has its own stand-point and it seems hard for someone to concede. Still, another interviewee pointed out that politics not only happens behind doors, but also is "visible hands" at the negotiating table. From *Legislative Gazette* (March 26, 1998), an official close to the negotiations said that the revenue agreement is just one step in the budget process, and indicates a willingness to cooperate. However, the revenue numbers seem less important than how the money

will be spent.

From these respondents' statements, some points can be made about the revenue consensus forecasting meeting: First, there has been no consensus achieved in the consensus meetings. Second, revenue forecasters tend to focus on making correct revenue forecasts, but leave their supervisors the task of achieving consensus. Third, New York State's experience of late budget largely due to no timely consensus achieved. Finally, politics and negotiation control how the consensus is obtained. Because politics and negotiation are beyond the scope of this chapter, they will not be discussed here, but may be studied in future research.

Regarding the effectiveness of the revenue consensus forecasting meeting, respondents hold either positive attitude or negative attitude, but someone even doubts if the meeting is necessary. Some respondents believe that the meeting was somewhat effective, though no consensus was achieved. They claimed, "We did air out and narrow down the differences among the agencies." "We got feedback from other people and obtained more information about how other people made their economic and revenue forecasts." However, one respondent said that the consensus meeting was not effective at all because no consensus was ever achieved from this meeting, and one said, "the meeting can even be eliminated because I don't think we can get any agreement in a three-hour meeting." In short, respondents have different opinions in terms of the effectiveness of the revenue consensus forecasting meeting. In the following section, the meeting will be evaluated based on the literature review on judgmental research, accompanied with concluding remarks of this study.

Discussion and Conclusion

The literature review on judgmental research indicated that, in order to enhance the accuracy of revenue forecasts, both executive and legislative agencies have to make



their forecasts *independently* and then bring these forecasts to consensus meetings. Although sometimes individual forecasters perform better on some variables than a consensus does, no one is ever good on all variables. According to Zarnowitz's (1984) early findings, based on a different macroeconomic data set, that roughly one-third of individual forecasters that comprise a consensus were more accurate for each specific variable than the consensus itself. McNees pointed out a similar argument by saying that, "unlike a consensus, individual forecasters' performance varies widely across variables; even though nearly everyone could beat the consensus for some variable, no one was superior for all variables (1992, p709)." New York State's experience is consistent with this: the Division of the Budget (executive agency) and the Assembly Ways and Means Committee Majority and Minority as well as the Senate Finance Committee (legislative agencies) make their own final forecasts independently, though they may talk with each other, share the same information or read the same newspapers during the process, and then bring these forecasts to the revenue consensus forecasting conference.

Nonetheless, the literature also claimed that over dependence on consensus forecast may produce other problems. For instance, if revenue forecasters from both executive and legislative agencies believe a consensus forecast is more accurate than all individual forecasts, they may tend to adjust their forecasts towards the perceived consensus.

"This reduction in the variety of individual forecasts would obscure the sources of independence among individual forecasts and thus tend to impair the accuracy of the consensus (McNees, 1992, p709)." It is obvious that both executive and legislative agencies in New York State have been making efforts to produce their forecasts independently; however, whether the accuracy of revenue forecasts is improved due to this design requires more evidence and studies.

From the observation of 1998 New York State Economic and Revenue Consensus Forecasting Conference, several concluding remarks can be made. The conference lasted about only 3 hours (from 11:10am to 2:00pm) and it seems not easy to get consensus in

such a short time period. In the conference, most revenue forecasters pointed out that tax revenues for fiscal year 1997-98 and 1998-99 are difficult to forecast because of the changing character and composition of personal income tax. Moreover, this meeting was just like a “presentation” meeting—each agency and experts from private and other public sectors presented their forecasts—and no consensus was achieved.

From interviews with five revenue forecasters and one editor of *Legislative Gazette*, most respondents believed that the revenue consensus forecasting meeting was taken place to fulfill the law requirement and was just a legal process. Also, revenue forecasters reported that they focused on making correct revenue forecasts, but left their supervisors--the Governor and the Legislative leaders--the responsibility of negotiation, compromise, as well as consensus achievement. Moreover, no consensus achieved in the revenue consensus forecasting conference was one of the reasons why New York State experienced late budget. New York State so far has had the Economic and Revenue Consensus Forecasting Conference for three years. The number of days past March 31 deadline was 104, 126, and 14 days in 1996, 1997, and 1998 respectively. As shown in Table 5 and Figure 1, there was consensus meeting held in 1996 and 1997, but the number of days past March 31 deadline did not decrease, and, even worse, the number of days was over one hundred days. Therefore, the existence of the revenue consensus forecasting meeting did not necessarily shorten the number of days past March 31 deadline.

Table 5. Number of Days Past March 31 Deadline

Year	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Days late	0	5	5	11	20	19	49	65	2	5	69	68	104	126	14

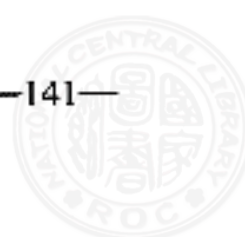
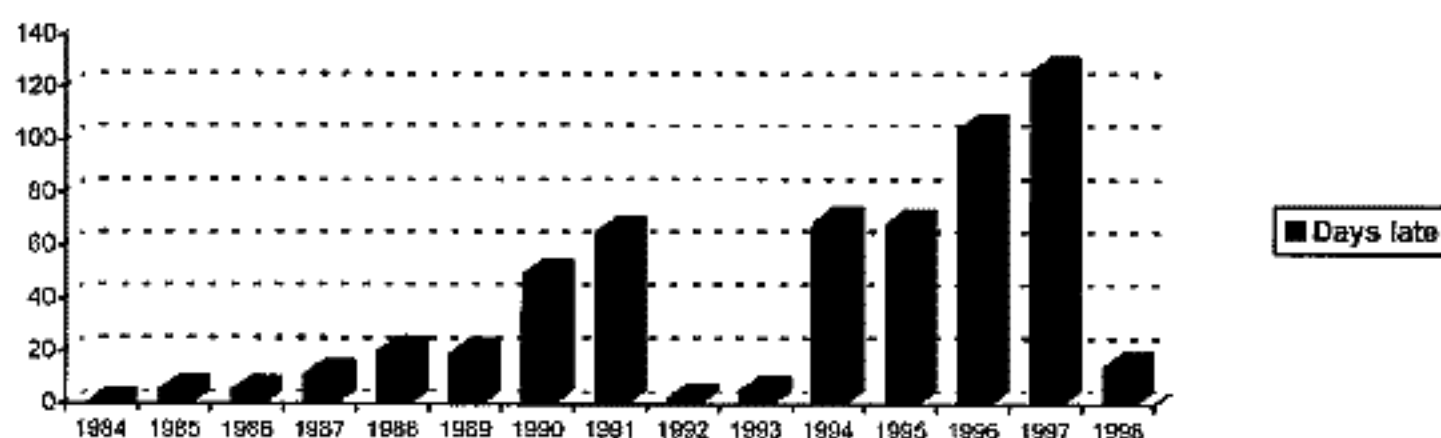


Figure 6.1. Number of Days Past March 31 Deadline



Legislative Gazette (April 6, 1998) indicated that, "... the late budgets do matter. School districts will vote on budgets [in May] with little more than guesses as to what their state aid will be. Since that is a hefty chunk of revenue, school officials can't give voters tax rates under the new budgets. That increases voter anger almost as much as major tax increases."

This year the budget was passed on April 14, 1998, two weeks past March 31 deadline. Although the number of days was less, compared to what happened in 1996 and 1997, it still did not mean that this year's consensus meeting was successful. The reasons are that the rank-and-file legislators were included in this year's conference committee (they were not included in previous years), and this year is the election year. This can be viewed clearly in the following two paragraphs extracted from *Legislative Gazette* (April 20, 1998 and April 27, 1998):

The veto pen is being brought out and dusted off because of this year's historic change in process: the conference committee. Opening up the budget process to rank-and-file legislators virtually shut the governor out, which means that he had less control over what went in the final legislative product.

Clearly, legislative leaders deserve some praise for changing the system, for involving many more members. As several lawmakers remarked last week, this budget

was the first time they knew what they are voting on. But as some cynics suggest, this was a budget flush with money in an election year. If the Legislature was ever to get close to doing a budget on time, this was the year. The real test of the new conference committee system may well come next year, when already a near \$2 billion deficit is being predicted and it won't be an elections year.

Although there was no consensus achieved in the revenue consensus forecasting conference, it did not mean that there was no benefit from the meeting. The contribution of these participants was to help obtain more information for revenue forecasting. The consensus forecasting conference aired out the differences among the agencies so that the legislative leaders, the Governor and the Budget Director can try to get an agreement on the state's tax revenues.

Still, another advantage of this conference was that it provided a chance for feedback. When there was no consensus meeting, there has been a lack of public awareness of the revenue forecasting process. The existence of the Economic and Revenue Consensus Forecasting Conference helps to bring up feedback from the executive and legislative branches, as well as different experts. In an effort to facilitate a quicker and more public resolution of the differences in the forecast, it is extremely important that the Legislature and the Governor hear additional comments and updating information from economists and other experts, obviously including the experts from the public and private sector. Hence, with participants from different perspectives in the conference, their economic predictions and their thoughts in the translation of the economic estimates into state revenue can be acquired, and then public understanding and acceptance can be increased.

The study has its limits. This one-shot study couldn't evaluate the revenue consensus forecasting meeting in detail, but described the reality of the meeting. Still, the case study could hardly obtain a theoretical explanation, and, therefore, quantitative data ought to be supplied. In order to thoroughly investigate the effectiveness of the

revenue consensus forecasting meeting, a longitudinal study as well as a quantitative study should be conducted in the future. Furthermore, the interview should widely include more respondents so that more opinions as well as suggestions can be revealed. Finally, the similar study can be conducted in the other states, which also adopt consensus forecasting process, in order to compare the differences or similarities, and, hopefully, the consensus forecasting experience can benefit Taiwan's revenue forecasting.

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